



MEDIA RELEASE

13 February 2014

ASX Limited half-year results to 31 December 2013

Financial highlights (all comparisons to the prior corresponding period)

- Net profit \$189.6 million, up 10.8%
 - Operating revenue \$329.3 million, up 8.0%
 - Interest and dividend income \$34.2 million, up 36.0%
 - Operating expenses \$77.2 million, up 8.3%
 - Depreciation and amortisation \$16.3 million, up 6.1%
- Earnings per share 98.3 cents, up 2.2% following capital raising in June-July 2013
- Interim dividend 88.2 cents per share fully franked, up 0.3%
 - 90% payout ratio of net profit
 - Higher earnings offset by new shares issued in capital raising
- Capital expenditure \$18.6 million
 - Continued investment in post-trade services, with technical delivery on track
- Strong balance sheet metrics to support Australia's financial market infrastructure
 - Meet global capital standards following capital raising
 - S&P credit rating obtained: AA- long-term for ASX Limited and ASX Clear (Futures), with a stable outlook

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said: "ASX produced a positive result for the first six months of the 2014 financial year, with operating revenue growing 8.0% and net profit rising by 10.8%. Improved global economic conditions and an uplift in listings activity in Australia underpinned the result.

"All major ASX business lines increased revenue year-on-year for the first time since the global financial crisis; that is, since the end of the 2008 financial year.

"ASX is making good progress in its investment program, which continues to focus on post-trade services and risk management infrastructure. We are determined to provide Australian investors with a domestic financial market infrastructure that is world-class, well-capitalised and competitive. In the first half we delivered a new service for the clearing of over-the-counter derivatives, and we appreciate the energy and support of our clients in developing this service.

"By mid-2014, ASX will complete its initial investment program, adding a full client clearing solution that will give Australian investors further risk management protections, and a collateral management service that will provide attractive savings to market participants. We will work with our clients to plan the next round of investments necessary to maintain Australia's position as an attractive and globally competitive financial market."

Mr Funke Kupper added: "In addition to the significant investment in its infrastructure, ASX continues to develop other new products and services for the Australian market. We launched several new derivatives products during the half and recently received regulatory approval for ASX's new managed funds service (mFund). Our efforts are now directed towards building customer activity in all of our initiatives.

"ASX will participate in the Australian Government's Financial System Inquiry and believes it comes at an important time for our financial markets. We will be focused on the long-term health and future of Australia's financial markets, ensuring that Australia can continue to be relevant and competitive in a rapidly changing global environment. It is less about the settings *in* Australia and more about the competitiveness *of* Australia. This will require a focus on the relative strengths of our financial system compared to those of other markets, and the development of a 10 year 'game plan' against which all policy and regulatory decisions can be tested. That way we can build on the significant strengths we have and avoid decisions that erode our competitive advantages over other financial centres."

Business highlights

Operating revenue for the half-year to 31 December 2013 (1H14) was \$329.3 million, up 8.0% on the prior corresponding period (pcp).

Below is a summary of the revenue performance across ASX's main business areas. All comparisons are against the pcp.

- **Listings and Issuer Services – revenue \$81.5 million, up 10.7%**

The largest revenue component in the Listings and Issuer Services business is Listings fees. These include annual listings fees, fees related to capital raisings and revenue from structured products.

Listings revenue was up 11.3% to \$66.8 million. There were 69 initial public offerings (IPOs) compared to 41 in the pcp, and total capital raised (including secondary) increased 40.1% to \$36.7 billion. First half IPOs came from a diverse range of industries, in contrast to new listings in the pcp that were dominated by resources companies.

Issuer Services revenue rose 7.8% to \$14.7 million. This was generated mainly by an increase in equity (CHESS) holding statements, which grew in line with the uplift in IPOs and trading activity.

ASX continued to develop the services, systems and listing rule framework that strengthen Australia's position as an attractive market to list and raise capital. During the half, ASX:

- expanded its Equity Research Scheme, with funding in FY14 doubled to \$2 million and with the participation of more research providers, covering more companies
- launched ASX BookBuild, a tool that is available to brokers and investment banks to use when advising clients on ways to raise capital.

ASX received regulatory approvals to:

- launch mFund, a new settlement service that will improve the efficiency and distribution of managed funds in the retail market
- reduce the standard timetable for traditional rights issues from 26 to 19 business days.

Both initiatives will be launched during the second half of the current financial year.

Cash Market – revenue \$59.2 million, up 7.8%

Cash Market revenue consists of fees from the trading (\$16.6 million), clearing (\$21.7 million) and settlement (\$20.9 million) of ASX-quoted equities, debt securities and exchange-traded funds.

All three revenue components grew, as activity levels were higher than the subdued levels of the pcp. Daily average cash on-market value traded on ASX was up 8.8% compared to the pcp, while ASX's share of total on-market traded value for the six-month period was 90.9%, down 5.7% on the pcp. The All Ordinaries closed at 5,353.10 on 31 December 2013, 14.8% higher.

ASX expanded the range of order types and execution services to give customers greater control and flexibility over how they trade. Centre Point, which offers execution at the mid-point of the national best bid and offer (ie across the whole Australian market), accounted for 5.5% of the value transacted through ASX in 1H14 and 15.7% of trading revenue.

In August 2013, ASX implemented a Code of Practice for its cash equities clearing and settlement services. The Code makes specific commitments to ASX clients around the transparent and non-discriminatory access to ASX services and pricing. Under the Code, ASX established an industry Forum that brings together the most senior leaders of Australia's financial markets sector to discuss the performance and investment program for Australia's clearing and settlement infrastructure. The Forum met for the first time in October 2013 and will meet again in April 2014. Several initiatives are being progressed with support from the Forum, including consultation on a reduction in the settlement cycle for cash equities from three days (T+3) to two days (T+2).

- **Information Services – revenue \$33.9 million, up 10.9%**

Information Services includes the provision of real-time cash and derivatives markets information, news about listed companies, and index and other reference data.

The increase in revenue resulted from the growth in demand for data from retail investors and professional customers.

- **Technical Services – revenue \$26.2 million, up 6.6%**

Technical Services provides market access, data network, order routing and data centre services to ASX clients and third parties.

The increase in revenue flowed from growth in the financial markets community within ASX's primary data centre – the Australian Liquidity centre (ALC) – and a rise in the ASX and third-party communications services available via ASX Net and ASX Net Global. ASX Net Global links the ALC with financial communities located in Singapore, London and Chicago. The number of cabinets hosted in the ALC increased from 111 to 133.

- **Derivatives and OTC Markets – revenue \$99.8 million, up 5.9%**

Derivatives and OTC Markets is ASX's largest business, contributing 30.3% to Group revenue in 1H14. It includes revenue from the trading and clearing of futures, options and contracts-for-difference (CFDs), and from the clearing of over-the-counter (OTC) interest rate swaps.

ASX 24 Derivatives (futures, options on futures, CFDs and OTC interest rate swaps) revenue was \$89.8 million, up 12.4%. The daily average number of contracts traded was up 13.6%.

In 1H14, ASX introduced VIX futures, allowing customers to trade anticipated changes in market volatility in a single transaction, and launched futures contracts over the S&P/ASX 200 Resources Index and the S&P/ASX 200 Financials-x-A-REIT Index. In addition, ASX launched 10 new electricity futures contracts (four for the Australian market and six for New Zealand).

Following the launch of ASX's OTC Derivatives Clearing Service in July 2013, eight major Australian domestic and international banks joined as foundation customers and cleared trades on the platform. Collectively, they account for approximately 80 to 90% of the \$15 trillion per annum A\$ OTC interest rate derivatives market.

The ASX OTC Derivatives Clearing Service provides significant risk and operational benefits to ASX customers, including giving Australian investors access to a domestic solution where collateral is kept onshore and subject to Australian laws and regulations. The service will be extended to a full client clearing solution by April 2014.

In July 2013, ASX completed a \$553 million capital raising, with most of the funds being allocated to its two clearing houses for equities and derivatives. Following the capital raising, ASX's derivatives clearing house - ASX Clear (Futures) - meets the highest global capital standards.

In February 2014, ASX received regulatory relief from the US Commodity Futures Trading Commission (CFTC), allowing ASX Clear (Futures) to clear A\$ interest rate swaps for US bank branches in Australia. The CFTC relief complements the transitional relief from the European regulator in place since September 2013, which enables European banks in Australia to directly use ASX's OTC Derivatives Clearing Service.

Shortly after the CFTC decision, ASX announced that ASX Clear (Futures) had obtained a long-term credit rating of AA- from Standard & Poor's, with a short-term rating of A1+. This further strengthens ASX's position as a world-class financial market based in Australia.

The performance of ASX Derivatives (single stock equity and index options) was disappointing, with revenue down 30.5% to \$10.0 million. The daily average number of contracts traded fell 22.2%. ASX is working to improve the crossing rules, enhance the margin simulator and increase market-making arrangements in order to deepen liquidity in these products.

- **Austraclear – revenue \$20.5 million, up 7.4%**

Austraclear provides settlement, depository and registry services for A\$ debt securities, including government and corporate bonds.

The growth in Austraclear revenue was driven by rises in earnings from registry and transaction services. The average balances held in Austraclear grew 5.8% and reached \$1.4 trillion at 31 December 2013.

ASX has launched the first phase of a new collateral management service, which allows customers to use fixed income securities held in Austraclear as collateral for financial market transactions. Twelve foundation customers are working with ASX on the service, seven of whom have completed their first trades.

Interest and dividend income – \$34.2 million, up 36.0%

Interest income on ASX's own cash balances grew 94.0% to \$14.5 million, following the injection of funds from the \$553 million capital raising that was completed in July 2013. The average interest rate earned on ASX's cash balances declined as a result of lower market rates.

Interest income on participant balances increased 14.2% to \$16.4 million, driven by higher collateral balances.

Dividend income from ASX's shareholding in IRESS was \$3.3 million, consistent with the pcp. ASX participated in a pro rata equity raising by IRESS in August 2013 and took up its full entitlement for a consideration of \$39.3 million. ASX's current stake in IRESS is approximately 19.3%.

Expenses

Operating expenses were \$77.2 million, up 8.3%.

The increase was driven by higher staffing levels and equipment costs to support the new post-trade and risk management services. The ASIC supervisory levy was also higher, with the previous year including a one-off credit. Administration costs were lower.

ASX had an average of 532 full-time equivalent staff over the six-month period, compared to an average of 511 during the pcp.

ASX expects expenses to increase approximately 5% for the full-year.

Capital expenditure

Capital expenditure in 1H14 was \$18.6 million.

Approximately \$13 million of the capital expenditure related to investments in new clearing and other post-trade services. Other capital expenditure related to the development of the cash market trading platform and associated network infrastructure.

ASX expects full-year capital expenditure to be in the range of \$40 to \$45 million.

Post balance date activity

Market activity levels in the first six weeks of the second half of financial year 2014 (to 7 February 2014), reflecting seasonally subdued conditions, were:

- total cash market average value (all lit and dark venues) per day was \$4.2 billion, up 0.9% on the pcp
 - ASX on-market average value per day was \$3.0 billion, up 0.9%
- ASX 24 derivatives daily average volume was 429,139 contracts traded, up 21.3% on the pcp
- total capital raised (in January 2014) was \$0.8 billion, down 51% on the pcp.

Complete half-year results materials are available on the ASX website: www.asx.com.au/about/asx-market-announcements.htm

A webcast of today's 10.00am (Sydney time) presentation to analysts will be available: www.asx.com.au/hy2014webcast

Further enquiries:

Media

Kristen Kaus
Media and Communications Executive
Tel +61 2 9227 0410
Mobile: 0421 380773
kristen.kaus@asx.com.au

Matthew Gibbs
General Manager, Media and Communications
Tel: +61 2 9227 0218
Mobile: 0411 121219
matthew.gibbs@asx.com.au
www.asx.com.au/about/media-releases.htm

Analysts/Investor Relations

Stephen Hammon
General Manager, Finance
Tel: +61 2 9227 0260
Mobile: 0488 212755
stephen.hammon@asx.com.au

Ramy Aziz
Chief Financial Officer
Tel: +61 2 9227 0027
Mobile: 0438 452807
ramy.aziz@asx.com.au
www.asx.com.au/about/investor-relations.htm

Appendix – ASX Half-Year Results to 31 December 2013

Group Profit and Loss Statement	1H14 \$M	1H13 \$M	Variance \$M	Variance %
Operating Revenue	329.3	304.8	24.5	8.0%
Operating Expenses	77.2	71.3	(5.9)	(8.3%)
EBITDA	252.1	233.5	18.6	8.0%
Depreciation and Amortisation	16.3	15.4	(0.9)	(6.1%)
EBIT	235.8	218.1	17.7	8.1%
Interest and Dividend Income	34.2	25.2	9.0	36.0%
Profit Before Tax	270.0	243.3	26.7	11.0%
Income Tax Expense	(80.4)	(72.2)	(8.2)	(11.4%)
Profit After Tax	189.6	171.1	18.5	10.8%

Operating Revenue	1H14 \$M	1H13 \$M	Variance \$M	Variance %
Listings and Issuer Services	81.5	73.6	7.9	10.7%
Cash Market	59.2	54.9	4.3	7.8%
<i>Trading</i>	16.6	15.7	0.9	5.0%
<i>Clearing</i>	21.7	19.7	2.0	10.3%
<i>Settlement</i>	20.9	19.5	1.4	7.5%
Information Services	33.9	30.6	3.3	10.9%
Technical Services	26.2	24.6	1.6	6.6%
Derivatives and OTC Markets	99.8	94.4	5.4	5.9%
Austraclear	20.5	19.1	1.4	7.4%
Other	8.2	7.6	0.6	6.5%
Total Operating Revenue	329.3	304.8	24.5	8.0%

Key Activity Indicators	1H14	1H13	Variance	Variance %
Listings and Issuer Services				
All Ordinaries Index (end of period)	5353.10	4664.60	688.5	14.8%
Number of New Listed Entities (IPOs)	69	41	28	68.3%
Capital Raised, incl. Scrip-for-Scrip	\$36.7 billion	\$26.2 billion	\$10.5 billion	40.1%
Cash Market				
Daily Average Cash On-Market Value	\$3.208 billion	\$2.949 billion	\$0.259 billion	8.8%
Derivatives and OTC Markets				
ASX Daily Average Contracts Traded	485,055	623,855	(138,800)	(22.2%)
ASX 24 Daily Average Contracts Traded	453,007	398,834	54,173	13.6%